

Docket No. 12-420  
CK# R0067942 6/13/12  
5/10/12 8/31/12 TM

Docket En  
Malika  
Janis  
Susan  
JD  
Donna  
Alisa

# DELMARVA POWER & LIGHT COMPANY

## ANNUAL APPLICATION FOR THE GAS ENVIRONMENTAL SURCHARGE RIDER

(APPLICATION, TESTIMONY, AND SCHEDULES)

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BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF THE STATE OF DELAWARE

August 31, 2012

For PSC Use Only:

Docket No. \_\_\_\_\_

Filing Date: \_\_\_\_\_

Reviewer: \_\_\_\_\_

Given To: \_\_\_\_\_

DELAWARE PUBLIC SERVICE COMMISSION  
FILING COVER SHEET

1. Name of Applicant: Delmarva Power & Light Company

2. Type of Filing: Rate Change X  
Fuel Adjustment \_\_\_\_\_  
Administrative \_\_\_\_\_  
CPCN \_\_\_\_\_  
New Service Offering \_\_\_\_\_  
Other X Annual Filing

If a telecommunications filing, what type of service is impacted? (Please check)

Basic \_\_\_\_\_ Competitive \_\_\_\_\_ Discretionary \_\_\_\_\_

3. Proposed Effective Date: November 1, 2012

Is expedited treatment requested \_\_\_\_\_ X  
Yes No

4. Short synopsis of filing: Annual filing of the Environmental Surcharge Rider.

5. Does this filing relate to pending dockets? X \_\_\_\_\_  
Yes No

If so, please list Docket(s) No(s): 04-53

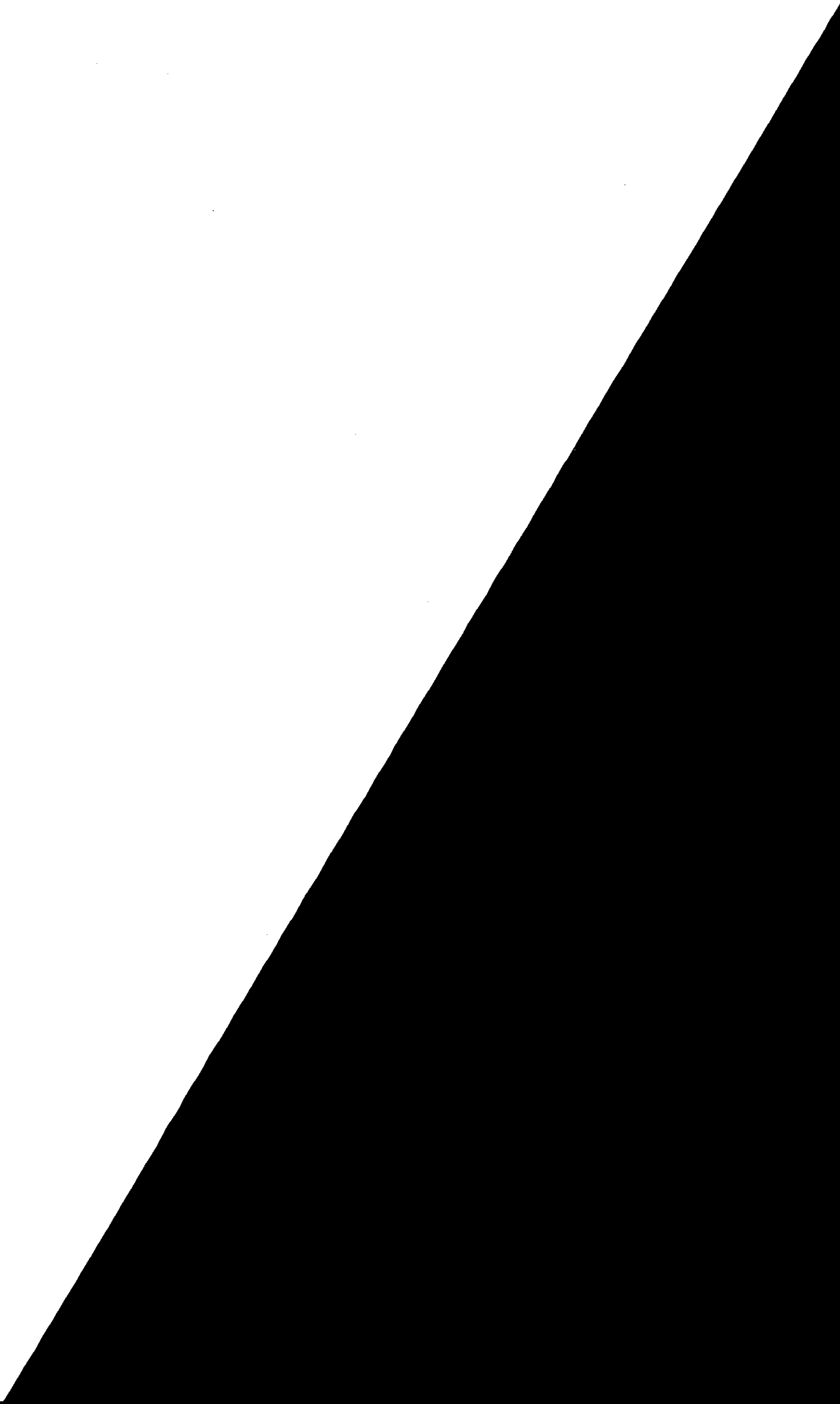
6. Is public notice required: X \_\_\_\_\_  
Yes No

If yes, please attach copy of proposed public notice.

7. Applicant's contact person: (Name) Ashley T. Adams  
(Title) Regulatory Affairs Sr. Analyst  
(Tele. No.) 302-454-5194  
(Fax no.) 302-454-4440  
(E-mail) Ashley.adams@pepcoholdings.Com

8. Did you provide a complete copy of the filing to the public advocate?  
X \_\_\_\_\_ If so, when? 8/31/2012  
Yes No

9. Filing fee enclosed: \$100.00  
Amount



**Annual Application for the Gas Environmental Surcharge Rider**  
**PSC Docket No. 12-\_\_\_\_**  
**Briefing Sheet**

**SUBJECT:**

Delmarva Power & Light Company's Annual Application for the Gas Environmental Surcharge Rider filed August 31, 2012.

**INCREASE SOUGHT:**

The Company requests permission to increase its current Environmental Surcharge Rider rate (ESR) at a positive surcharge of \$0.00013 per ccf to \$0.00021 per ccf for all firm delivery service Customers. The new higher rate is to take effective for service rendered on or after November 1, 2012.

**REASONS FOR FILING:**

This filing is the annual Application to review the Gas ESR rate.

**EFFECTIVE DATE:**

The increased rate change is proposed to be effective for service rendered on or after November 1, 2012, subject to refund and pending investigation by the Commission.

**RATE DESIGN:**

No rate design changes.

**RATE OF RETURN:**

N/A

**TEST YEAR:**

N/A - The Environmental Cost Year in this filing is June 1, 2011 through May 31, 2012. The Recovery Year in this filing is November 1, 2012 through October 31, 2013.

**TEST PERIOD:**

N/A

**CAPITAL STRUCTURE:**

N/A

**ELEMENTS OF RATE CHANGE:**

The new rate was calculated in accordance with the approved methodology as approved in PSC Docket No. 04-53 to recover costs associated with the clean up of the Manufactured Gas Plant site in Wilmington, Delaware. A rate increase is requested in this filing.

**IMPACT OF DIFFERENT CLASSES:**

The current Environmental Surcharge Rider rate increases to a positive surcharge of \$0.00021 per ccf for all firm delivery service Customers.

**IMPACT ON TYPICAL BILL**

120 ccf/ winter month  
Residential Heating Customer  
Total Bill

**Typical Bill**

% Change  
0.01% increase  
\$0.01 increase



BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF )  
DELMARVA POWER & LIGHT COMPANY FOR AN ) Docket No. 12-\_\_\_\_  
ANNUAL UPDATE IN THE GAS ENVIRONMENTAL )  
SURCHARGE RIDER RATE )  
(Filed on August 31, 2012) )

**DELMARVA POWER & LIGHT COMPANY'S APPLICATION  
FOR AN UPDATE IN THE GAS ENVIRONMENTAL SURCHARGE RIDER**

Delmarva Power & Light Company (Delmarva or the Company) hereby files the annual Application for Approval to increase its Gas Environmental Surcharge Rider (ESR) rates pursuant to 25 Del. C. §§ 201, 301, 304 and other applicable authorities, including Order No. 6401 in Docket No. 04-53 entered April 20, 2004, to be effective for service rendered on and after November 1, 2012. In support thereof, Delmarva submits the following:

1. Applicant is Delmarva Power & Light Company, 500 North Wakefield Drive, Newark, DE. 19702 - 5440. Delmarva is a wholly owned subsidiary of Pepco Holdings, Inc. (PHI).
2. Delmarva requests that all communications and notices with respect to this proceeding be made (preferably electronically only) to the following and these individuals be put on the official service list of this proceeding:

<b>Todd L. Goodman, Esquire</b> Associate General Counsel 500 North Wakefield Drive Newark, DE 19702-5440 (Private Mail Service) or P. O. Box 6066 Mail Stop: 92 DC 42 Newark, DE 19714-6066 (302) 429-3786 <a href="mailto:todd.goodman@pepcoholdings.com">todd.goodman@pepcoholdings.com</a>	<b>Robert Kitson</b> Mgr. Gas Engineering, 630 Martin Luther King Jr. Blvd Wilmington DE 19801 (Private mail Service) or PO Box 231 Mail Stop: 88 MK 66 Wilmington DE 19899-0231 (302) 429-3846 <a href="mailto:Robert.kitson@pepcoholdings.com">Robert.kitson@pepcoholdings.com</a>	<b>Ashley T. Adams</b> Regulatory Affairs 401 Eagle Run Road Newark, DE 19702 (Private Mail Service) or P.O. Box 9239 Mail Stop: 79 NC 59 Newark, DE 19714-9239 (302) 454-5194 <a href="mailto:Ashley.adams@pepcoholdings.com">Ashley.adams@pepcoholdings.com</a>
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3. Pursuant to the provisions of Delmarva's Environmental Surcharge Rider tariff clause, the Company requests permission to increase its current Environmental Surcharge Rider rate at a positive surcharge of \$0.00013 per ccf to a positive surcharge rate of \$0.00021 per ccf for all firm delivery service Customers. This rate increase is proposed to become effective for service rendered on or after November 1, 2012, and thereafter until changed by further order of the Delaware Public Service Commission.

4. The current Gas Tariff specifies that the "Company will file with the Commission a copy of the Environmental Surcharge Rider computation at least 30 days prior to the proposed effective date of November 1."

5. Revised tariff leafs and red-line versions setting forth the proposed changes are attached to this Application. Consistent with the approved mechanism established in Docket No. 04-53, Delmarva requests that the Commission permit the proposed changes in ESR rates and the proposed surcharge to become effective for service rendered on and after November 1, 2012, with proration, subject to refund after Commission review.

6. The attached testimony describes the full calculation of the proposed ESR to be effective November 1, 2012. The reasons and basis for the proposed increase in the ESR rate are more fully explained in the testimony of Ashley T. Adams.

7. For a typical space heating residential customer using 120 ccf of gas in a winter month, the effects of the proposed Gas Environmental Surcharge Rider Rate change will be an increase in the monthly winter bill of about \$0.01 (1 cent) or 0.01%.


8. A proposed form of order is attached.

**WHEREFORE**, Delmarva Power & Light Company respectfully requests that:

- A. The Commission accept its Application for filing and schedule a hearing thereon;
- B. The Commission issue an order permitting the rates to go into effect on November 1, 2012, with proration, subject to further proceedings and potential refunds, and;
- C. Proper notice of the hearing be published; and
- D. The Commission ultimately approve the proposed rates reflected in the tariff leafs as filed by the Company.

Respectfully submitted,

By:

  
Todd L. Goodman

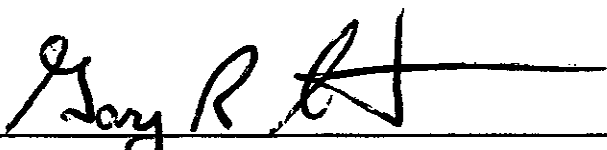
Delmarva Power & Light Company  
500 North Wakefield Drive  
Newark, DE 19702- 5440  
(302) 429-3786

Dated: August 29th, 2012

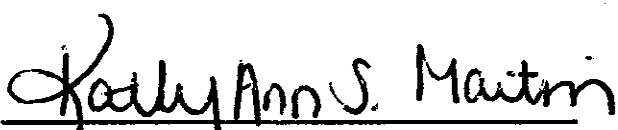


STATE OF DELAWARE                    )  
  )     SS.  
COUNTY OF NEW CASTLE            )

On this 27 th day of August, 2012, personally came before me, the subscriber, a Notary Public in and for the state and county aforesaid Gary R. Stockbridge, President, Delmarva Power & Light Company, a corporation existing under the laws of the State of Delaware, party to this Application, known to me personally to be such, and acknowledged this Application to be his act and deed and the act and deed of such corporation, that the signature of such President is in his own proper handwriting, and that the facts set forth in this Application are true and correct to the best of his knowledge and belief.

  
\_\_\_\_\_  
Gary R. Stockbridge  
President, Delmarva Power

SWORN TO AND SUBSCRIBED before me this 27 th day of August 2012.

  
\_\_\_\_\_  
Notary Public

My Commission expires: February 1, 2015

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF DELAWARE**

IN THE MATTER OF THE APPLICATION	)	
OF DELMARVA POWER & LIGHT COMPANY	)	
FOR AN ANNUAL UPDATE IN THE GAS	)	PSC DOCKET NO. 12-__
ENVIRONMENTAL SURCHARGE RIDER RATE	)	
(FILED AUGUST 31, 2012)	)	

**ORDER NO. \_\_\_\_\_**

**AND NOW**, this \_\_\_\_ day of \_\_\_\_\_, 2012:

**WHEREAS**, on August 31, 2012, Delmarva Power & Light Company ("DP&L") filed the above-captioned application (the "Application") with the Delaware Public Service Commission (the "Commission") seeking approval to increase the rate for its Environmental Surcharge Rider ("ESR") under the process approved in PSC Order No. 6401 (Apr. 20, 2004) in Docket No. 04-53; and

**WHEREAS**, in its Application, DP&L seeks to increase its current ESR rate at a positive surcharge of \$0.00013 per ccf to a positive surcharge rate of \$0.00021 per ccf for all firm delivery service customers; and

**WHEREAS**, the Commission having determined, pursuant to 26 *Del. C.* §§304 and 306 and its prior Order No. 6401 that the proposed rate adjustment (increasing the present rate) should be permitted to become effective for gas usage on and after November 1, 2012, with proration, subject to refund, pending further review and final decision by the Commission;

**WHEREAS**, Commission Staff and Department of Public Advocate have audited all expenses, testimony, and schedules and have found no discrepancies;

**NOW, THEREFORE, IT IS HEREBY ORDERED BY THE AFFIRMATIVE  
VOTE OF NOT FEWER THAN THREE COMMISSIONERS:**

1. That, pursuant to 26 *Del. C.* §§304 and 306, the increase in the current ESR rate as set forth in the Application is hereby permitted to go into effect with usage on and after November 1, 2012, with proration and subject to refund pending further review and final decision by the Commission.

2. That in light of Staff's audit of the costs for the Environmental Compliance Year ("ECY") that comprise this Application, the Commission shall not assign this docket to a Hearing Examiner to conduct an evidentiary hearing, but, rather, shall conduct an evidentiary hearing on the Application during its regularly-scheduled meeting on \_\_\_\_\_, at \_\_\_\_\_ p.m. at 861 Silver Lake Boulevard, 1<sup>st</sup> Floor Hearing Room, Cannon Building, Dover, DE 19904. The Commission shall take public comment on the Application immediately prior to the commencement of the evidentiary hearing on \_\_\_\_\_. The Commission designates Hearing Examiner Mark A. Lawrence, pursuant to 26 *Del. C.* § 502 and 29 *Del. C.* ch. 101, for the purpose of considering any petitions for intervention that may be filed.

3. That Delmarva Power & Light Company shall provide public notice of the filing of its Application and of the Commission action here and of the date of the evidentiary hearing by publishing notices in the form attached hereto as Exhibit "A" in the legal classified section of The News Journal newspaper in two-column format, outlined in black, on \_\_\_\_\_. Proof of such publication is to be provided to the Commission as soon as practical but not later than the commencement of the evidentiary hearing concerning this matter.

4. That the deadline for intervention pursuant to Commission Rule 21 shall be \_\_\_\_\_. Any intervenor wishing to oppose the Application shall file written prefiled testimony with the Commission pursuant to the Commission's rules, on or before \_\_\_\_\_. Copies of such testimony shall also be served on the following persons:

Jo Donoghue, Esquire Deputy Attorney General Public Service Commission 820 N. French Street 6th Floor Wilmington, DE 19801	Regina A. Iorri, Esquire Deputy Attorney General Division of the Public Advocate 820 N. French Street 6th Floor Wilmington, DE 19801
Todd L. Goodman, Esquire Associate General Counsel 500 North Wakefield Drive Newark, DE 19702-5440 (Private Mail Service) or P. O. Box 6066 Mail Stop: 92 DC 42 Newark, DE 19714-6066 (302) 429-3786 <a href="mailto:todd.goodman@pepcoholdings.com">todd.goodman@pepcoholdings.com</a>	Malika Davis Delaware Public Service Commission 861 Silver Lake Blvd., Suite 100 Dover, DE 19904
Ashley T. Adams Regulatory Affairs 401 Eagle Run Road Newark, DE 19702 (Private Mail Service) or P.O. Box 9239 Mail Stop: 79 NC 59 Newark, DE 19714-9239 (302) 454-5194 <a href="mailto:Ashley.adams@pepcoholdings.com">Ashley.adams@pepcoholdings.com</a>	Robert Kitson Mgr. Gas Engineering, 630 Martin Luther King Jr. Blvd Wilmington DE 19801 (Private mail Service) or PO Box 231 Mail Stop: 88 MK 66 Wilmington DE 19899-0231 (302) 429-3846 <a href="mailto:Robert.kitson@pepcoholdings.com">Robert.kitson@pepcoholdings.com</a>
Michael D. Sheehy, Public Advocate 820 N. French Street 4th Floor Wilmington, DE 19801	

Submissions that are not received by the Commission on or before \_\_\_\_\_, 2012 shall not be considered.

5. Delmarva Power & Light Company is hereby put on notice that it will be charged the costs incurred in connection with this proceeding under the provisions of 26 *Del. C.* §114(b)(1).

6. That the Commission reserves the jurisdiction and authority to enter such further Orders in this matter as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:

\_\_\_\_\_  
Chair

\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner

ATTEST:

\_\_\_\_\_  
Alisa Carrow Bentley  
Secretary

## **EXHIBIT "A"**

### **BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF DELAWARE**

IN THE MATTER OF THE APPLICATION )  
OF DELMARVA POWER & LIGHT COMPANY )  
FOR AN ANNUAL UPDATE IN THE GAS ) PSC DOCKET NO. 12-\_\_\_\_  
ENVIRONMENTAL SURCHARGE RIDER RATE )  
(FILED AUGUST 31, 2012) )

### **PUBLIC NOTICE**

#### **OF UPDATE TO DELMARVA POWER AND LIGHT COMPANY'S GAS ENVIRONMENTAL SURCHARGE RIDER RATE**

**TO: ALL NATURAL GAS CUSTOMERS OF DELMARVA POWER & LIGHT  
COMPANY, AND OTHER INTERESTED PERSONS**

The Delaware Public Service Commission (the "Commission") will conduct a public comment session and evidentiary hearing concerning the above-captioned case (as further explained below) at the following time and location:

**Date & Time**

**Location**

**Hearing Room  
Delaware Public Service Commission  
861 Silver Lake Boulevard  
Cannon Building  
Dover, DE 19904**

**DP&L's Environmental Surcharge Rider Rate, PSC Docket No. 12-**

Pursuant to the environmental remediation recovery mechanism approved in PSC Order No. 6401 (Apr. 20, 2004) in Docket No. 04-53, Delmarva Power & Light Company ("DP&L" or the "Company"), has filed an application (the "Application") with the Commission proposing an increase in the Environmental Surcharge Rider ("ESR"), with the increased rate to become effective with usage on and after November 1, 2012, with proration, subject to modification and refund after an evidentiary hearing.

In the Application, the Company requests permission to increase its current ESR rate from a **positive** surcharge of **\$0.00013 per ccf** to a **positive** surcharge rate of **\$0.00021 per ccf** for all firm delivery service customers. For a typical residential space heating customer using 120 ccf of gas in a winter month, the effect of the proposed **ESR rate change will have \$0.01 (1 cent) increase on the monthly winter bill**. By Order No. \_\_\_\_\_ dated \_\_\_\_\_, the Commission permitted the proposed rates to become effective with usage on and after November 1, 2012, with proration, subject to modification and refund after an evidentiary hearing.

Any person, group, or entity desiring to participate formally as a party in this docket, with the right to submit evidence and to be represented by counsel, must petition the Commission for leave to intervene in this docket in accordance with Rule 21 of the Commission's Rules of Practice and Procedure. Such petitions must be filed with the Commission at 861 Silver Lake Boulevard, Cannon Building, Suite 100, Dover, Delaware 19904 (Attn: PSC Dkt. No. 12-\_\_\_\_) on or before \_\_\_\_\_. Petitions received thereafter will not be considered except for good cause shown. Should intervention status be granted, any intervenor wishing to oppose the Application shall file written prefiled testimony with the Commission on or before \_\_\_\_\_. Submissions that are not received by the Commission on or before \_\_\_\_\_ shall not be considered. Such written submissions shall also be served on the persons identified in Order No. \_\_\_\_ in this docket dated \_\_\_\_\_.

The Commission will conduct an evidentiary hearing on the Company's Application on \_\_\_\_\_, commencing at \_\_\_\_\_ p.m., at its offices located at **861 Silver Lake Boulevard, Cannon Building, 1<sup>st</sup> floor Hearing Room, Dover, Delaware 19904.** The Commission will take public comment from any person wishing to speak immediately prior to the commencement of the evidentiary hearing concerning this Application. The Commission's final decision will be based on the evidence presented at such hearing.

Copies of the Company's Application and its testimony and schedules in this docket are available for public inspection during normal business hours at the Commission's Dover office at the address set out above. Such materials can also be reviewed by appointment at the offices of the Division of the Public Advocate, Fourth Floor, Carvel State Office Building, 820 North French Street, Wilmington, Delaware. Please call (302) 577-5077 to arrange for an appointment.

Any individual with a disability desiring to participate in these proceedings or to review the filings should contact the Commission to discuss any auxiliary aids or services needed. The Commission Staff can also provide additional information about this docket. The Commission's toll-free telephone number within Delaware is 1-800-282-8574. The Commission may be reached at (302) 736-7500 (including text telephone communications). Inquiries may be sent to the Commission by Internet e-mail addressed to "malika.davis@state.de.us."





RATES AND CHARGES  
CORE SALES RATE LEAF

<u>SERVICE CLASSIFICATION</u>	<u>BASE RATE</u>	<u>BASIS</u>
<u>Residential Gas Sales Service ("RG")</u>		
Customer Charge	\$10.40	per month
Commodity Charge	\$0.45802	per CCF
Space Heating Commodity Charge 1/ Over 50 CCF	\$0.36754	per CCF
Environmental Surcharge Rider	\$0.00021	per CCF
Gas Cost Rate (GCR)	\$0.88804	per CCF
<u>General Gas Sales Service ("GG")</u>		
Customer Charge	\$29.71	per month
Commodity Charge		
First 750 CCF	\$0.38049	per CCF
Over 750 CCF	\$0.28421	per CCF
Environmental Surcharge Rider	\$0.00021	per CCF
Gas Cost Rate (GCR)	\$0.88804	per CCF
<u>Gas Lighting Sales Service ("GL")</u>		
(Estimated Usage - 15 CCF per month)		
Monthly Charge	\$ 6.44	per gas light
Gas Cost Rate (GCR)	\$13.32	per gas light
<u>Medium Volume Gas Sales Service ("MVG")</u>		
Customer Charge	\$456.12	per month
Demand Charge	\$ 14.57	per MCF of Billing MDQ
Commodity Charge 2/	\$0.46757	per MCF
Environmental Surcharge Rider	\$0.00211	per MCF
Gas Cost Rate (GCR) Demand Charge	\$11.0936	per MCF of Billing MDQ
Gas Cost Rate (GCR) Commodity Charge 2/	\$7.1740	per MCF
<u>Large Volume Gas Sales Service ("LVG")</u>		
Customer Charge	\$690.36	per month
Demand Charge	\$8.97	per MCF of Billing MDQ
Commodity Charge 2/	\$0.11248	per MCF
Environmental Surcharge Rider	\$0.00211	per MCF
Gas Cost Rate (GCR) Demand Charge	\$11.0936	per MCF of Billing MDQ
Gas Cost Rate (GCR) Commodity Charge 2/	Varies	per MCF

Public Utilities Tax: 4.25% Applies to all non-residential services, including the GCR, unless pursuant to Title 30 Chapter 55, the Customer is eligible for a different tax rate or is exempt from such tax.

City of Wilmington Local Franchise Tax: 2% Charged on all non-exempt services, in the City of Wilmington, including the GCR.

1/ Gas used by Customers with permanently installed gas-fired space heating equipment qualifies for the space heating commodity rate for all gas used in excess of 50 ccf for the billing months of October through May, inclusive.

2/ All LVG and "Electing" MVG Customers pay a monthly Commodity Charge GCR based upon the system Weighted Average Commodity Cost of Gas ("System WACCOG"). "Non-Electing" MVG Customers pay the annual GCR Commodity Charge listed here.

Order No.

Filed: August 31, 2012

Docket No.

Effective with Usage On and After November 1, 2012

Proposed

RATES AND CHARGES  
CORE SALES RATE LEAF

<u>SERVICE CLASSIFICATION</u>	<u>BASE RATE</u>	<u>BASIS</u>
<u>Large Volume Gas Sales Service-Qualified Fuel Cell Provider-Renewable Capable Power Production ("LVG-QFCP-RC")</u>		
Customer Charge	\$3,166.67	per month
Capital Recovery Charge	Varies	per Customer's Executed Service Agreement
Environmental Surcharge Rider	\$0.00211	per MCF
Gas Cost Rate (GCR) Commodity Charge 1/	Varies	per MCF

Public Utilities Tax: 4.25% applies to all non-residential services, unless pursuant to Title 30 Chapter 55, the Customer is eligible for a different tax rate or is exempt from such tax.

City of Wilmington Local Franchise Tax: 2% charged on all non-exempt services, in the City of Wilmington.

- 1/ All LVG-QFCP-RC customers pay a Commodity Charge Rate based upon the Gas Daily Average (GDA) for Transco Zone 6 Non-New York price plus any premiums incurred by Delmarva to provide this service.

RATES AND CHARGES

CORE TRANSPORTATION RATE LEAF

<u>SERVICE CLASSIFICATION</u>	<u>BASE RATE</u>	<u>BASIS</u>
<u>General Volume Firm Transportation</u>		
<u>Service ("GVFT")</u>		
Customer Charge	\$328.88	per month
Delivery Charge		
First 750 CCF	\$0.38049	per CCF Redelivered
Over 750 CCF	\$0.28421	per CCF Redelivered
Balancing Fee Non-Base Rate	\$0.03829	per CCF of Imbalance Volumes
Environmental Surcharge Rider	\$0.00021	per CCF
<u>Medium Volume Firm Transportation</u>		
<u>Service ("MVFT")</u>		
Customer Charge	\$755.30	per month
Demand Charge	\$ 14.57	per MCF of Billing MDQ
Delivery Charge	\$ 0.46757	per MCF Redelivered
Balancing Fee Non-Base Rate	\$ 0.3829	per MCF of Imbalance Volumes
Environmental Surcharge Rider	\$0.00211	per MCF
<u>Large Volume Firm Transportation</u>		
<u>Service ("LVFT")</u>		
Customer Charge	\$989.53	per month
Demand Charge	\$ 8.97	per MCF of Billing MDQ
Delivery Charge	\$ 0.11248	per MCF Redelivered
Balancing Fee Non-Base Rate	\$ 0.3829	per MCF of Imbalance Volumes
Environmental Surcharge Rider	\$0.00211	per MCF
<u>Standby Service ("SBS")</u>		
Demand Charge Non-Base Rate	\$11.0936	per MCF of Standby MDQ
Commodity Charge		Monthly System WACCOG per MCF (adjusted for losses and unaccounted for)

Public Utilities Tax: 4.25% Applies to all non-residential services, including the GCR, unless pursuant to Title30 Chapter 55, the Customer is eligible for a different tax rate or is exempt from such tax.

City of Wilmington Local Franchise Tax: 2.00% Charged on all non-exempt Services, in the City of Wilmington, including the GC.

RATES AND CHARGES  
CORE SALES RATE LEAF

<u>SERVICE CLASSIFICATION</u>	<u>BASE RATE</u>	<u>BASIS</u>
<u>Residential Gas Sales Service ("RG")</u>		
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Space Heating Commodity Charge 1/ Over 50 CCF	\$0.36754	per CCF
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Commodity Charge		
First 750 CCF	\$0.38049	per CCF
Over 750 CCF	\$0.28421	per CCF
Environmental Surcharge Rider	<del>\$0.0001300021</del>	per CCF
Gas Cost Rate (GCR)	\$0.88804	per CCF
<u>Gas Lighting Sales Service ("GL")</u> (Estimated Usage - 15 CCF per month)		
Monthly Charge	\$ 6.44	per gas light
Gas Cost Rate (GCR)	\$13.32	per gas light
<u>Medium Volume Gas Sales Service ("MVG")</u>		
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Demand Charge	\$ 14.57	per MCF of Billing MDQ
Commodity Charge 2/	\$0.46757	per MCF
Environmental Surcharge Rider	<del>\$0.0012800211</del>	per MCF
Gas Cost Rate (GCR) Demand Charge	\$11.0936	per MCF of Billing MDQ
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Gas Cost Rate (GCR) Commodity Charge 2/	Varies	per MCF

Public Utilities Tax: 4.25% Applies to all non-residential services, including the GCR, unless pursuant to Title 30 Chapter 55, the Customer is eligible for a different tax rate or is exempt from such tax.

City of Wilmington Local Franchise Tax: 2% Charged on all non-exempt services, in the City of Wilmington, including the GCR.

1/ Gas used by Customers with permanently installed gas-fired space heating equipment qualifies for the space heating commodity rate for all gas used in excess of 50 ccf for the billing months of October through May, inclusive.

2/ All LVG and "Electing" MVG Customers pay a monthly Commodity Charge GCR based upon the system Weighted Average Commodity Cost of Gas ("System WACCOG"). "Non-Electing" MVG Customers pay the annual GCR Commodity Charge listed here.

Order Nos. ~~8040 & 8041~~

Filed: ~~October~~August 31, 2011~~20~~

Docket Nos. ~~11-381F & 11-382~~

Effective with Usage On and After November 1, 2011~~2012~~

~~Filed in Compliance with Order No. 8040 in Docket No. 11-381F~~  
~~and with Order No. 8041 in Docket No. 11-382~~

Proposed

RATES AND CHARGES  
CORE SALES RATE LEAF

SERVICE CLASSIFICATION

BASE RATE

BASIS

Large Volume Gas Sales Service-Qualified Fuel Cell Provider-Renewable Capable Power Production  
("LVG-QFCP-RC")

Customer Charge	\$3,166.67	per month
Capital Recovery Charge	Varies	per Customer's Executed Service Agreement
Environmental Surcharge Rider	\$0.0012800211	per MCF
Gas Cost Rate (GCR) Commodity Charge 1/	Varies	per MCF

Public Utilities Tax: 4.25% applies to all non-residential services, unless pursuant to Title 30 Chapter 55, the Customer is eligible for a different tax rate or is exempt from such tax.

City of Wilmington Local Franchise Tax: 2% charged on all non-exempt services, in the City of Wilmington.

- 1/ All LVG-QFCP-RC customers pay a Commodity Charge Rate based upon the Gas Daily Average (GDA) for Transco Zone 6 Non-New York price plus any premiums incurred by Delmarva to provide this service.

RATES AND CHARGES

CORE TRANSPORTATION RATE LEAF

<u>SERVICE CLASSIFICATION</u>	<u>BASE RATE</u>	<u>BASIS</u>
<u>General Volume Firm Transportation</u>		
<u>Service ("GVFT")</u>		
Customer Charge	\$328.88	per month
Delivery Charge		
First 750 CCF	\$0.38049	per CCF Redelivered
Over 750 CCF	\$0.28421	per CCF Redelivered
Balancing Fee Non-Base Rate	\$0.03829	per CCF of Imbalance Volumes
Environmental Surcharge Rider	<del>\$0.00013</del> 00021	per CCF
<u>Medium Volume Firm Transportation</u>		
<u>Service ("MVFT")</u>		
Customer Charge	\$755.30	per month
Demand Charge	\$ 14.57	per MCF of Billing MDQ
Delivery Charge	\$ 0.46757	per MCF Redelivered
Balancing Fee Non-Base Rate	\$ 0.3829	per MCF of Imbalance Volumes
Environmental Surcharge Rider	<del>\$0.00128</del> 00211	per MCF
<u>Large Volume Firm Transportation</u>		
<u>Service ("LVFT")</u>		
Customer Charge	\$989.53	per month
Demand Charge	\$ 8.97	per MCF of Billing MDQ
Delivery Charge	\$ 0.11248	per MCF Redelivered
Balancing Fee Non-Base Rate	\$ 0.3829	per MCF of Imbalance Volumes
Environmental Surcharge Rider	<del>\$0.00128</del> 00211	per MCF
<u>Standby Service ("SBS")</u>		
Demand Charge Non-Base Rate	\$11.0936	per MCF of Standby MDQ
Commodity Charge		Monthly System WACCOG per MCF (adjusted for losses and unaccounted for)

Public Utilities Tax: 4.25% Applies to all non-residential services, including the GCR, unless pursuant to Title30 Chapter 55, the Customer is eligible for a different tax rate or is exempt from such tax.

City of Wilmington Local Franchise Tax: 2.00% Charged on all non-exempt Services, in the City of Wilmington, including the GC.

1                   **DELMARVA POWER & LIGHT COMPANY**  
2                   **TESTIMONY OF ASHLEY T. ADAMS**  
3                   **BEFORE THE PUBLIC SERVICE COMMISSION**  
4                   **OF THE STATE OF DELAWARE**  
5                   **CONCERNING THE ANNUAL GAS ENVIRONMENTAL**  
6                   **SURCHARGE RIDER (ESR) RATE REVIEW**  
7                   **PSC DOCKET NO. 12-\_\_\_\_\_**  
8

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9   **1. Q: Please state your name, title and business address.**

10    A:       My name is Ashley T. Adams, Regulatory Affairs Senior Analyst,  
11       testifying on behalf of Delmarva Power & Light Company (Delmarva), New  
12       Castle Regional Office, 401 Eagle Run Road, Newark, Delaware 19714.

13   **2. Q: What is your educational and professional background and experience?**

14    A:       I hold a Bachelors of Science degree in Accounting, Masters of Business  
15       Administration Degree, Masters of Science in Finance Degree, and a Masters of  
16       Science in Computer Information Systems Technology Degree, from Wilmington  
17       University, in Wilmington, Delaware. I began my employment with Delmarva  
18       Power in 2005, working in the Regulatory Affairs Department, mainly on the Gas  
19       Cost Rate (GCR) mechanism, calculating the GCR rates and monitoring of  
20       jurisdictional fuel revenue and expenses, as well as SOX Compliance for  
21       Regulatory Affairs. In addition, I prepare the Environmental Surcharge Rider  
22       (ESR) annual filing. Prior to my employment at Delmarva, I worked as a Senior  
23       International Investment Accountant, calculating the daily NAV (net asset value)  
24       for market securities reporting to NASDAQ, for both international and domestic  
25       funds, holding positions at PFPC (a division of PNC bank) and Bank of New

1 York. I also was an adjunct professor at Delaware Technical and Community  
2 College teaching Ethics and Communication courses.

3 3. Q: Have you previously testified before the Delaware Public Service  
4 Commission?

5 A: Yes, I have testified in Docket No. 11-382.

6 4. Q: What is the purpose of your testimony?

7 A: The purpose of my testimony is to support Delmarva's Annual  
8 Application to review the Gas Environmental Surcharge Rider Rate (ESR Rate). I  
9 will discuss the costs expended in the Environmental Cost Year (ECY) for the  
10 period June 1, 2011 through May 31, 2012, and detail the calculation of the  
11 proposed ESR Rate increase.

12 5. Q: What rate is Delmarva proposing to be effective on November 1, 2012, and  
13 how does this compare with the current rates?

14 A: Delmarva requests that the ESR rates, as required by the Gas Service  
15 Tariff, be approved effective with usage on November 1, 2012. Delmarva's  
16 proposed ESR rates for the 2012/2013 period are shown below. Compared to the  
17 ESR rates presently in effect, Delmarva is asking for a 0.01% or (1 cent) increase  
18 in the rate from \$0.00013/ccf to \$0.00021/ccf or \$0.00128/Mcf to \$0.00211/Mcf  
19 for the average residential customer. As detailed later herein, for Delmarva's  
20 typical residential customer, this will cause a monthly winter heating bill to  
21 increase by \$0.01 or (1 cent).



1                                    **ENVIRONMENTAL SURCHARGE RIDER**

2                                    **Current**                    **Proposed**                    **Change**

3

4                                    \$0.00013/ccf                \$0.00021/ccf                \$0.00008/ccf

5                                    \$0.00128/Mcf                \$0.00211/Mcf                \$0.00083/Mcf

6

7    6. Q: **Has Delmarva proposed any Rate Structure Redesign of its ESR Rate in this**

8                    **proceeding?**

9            A:            No. Delmarva has not proposed any rate structure redesign in this filing.

10                    Delmarva has calculated the rate using the same method approved by the

11                    Commission by Order No. 6401 in Docket No. 04-53.

12   7. Q: **Please explain the background of the ESR Rate.**

13            A:            In Docket No. 03-127, Delmarva filed for a change in Gas Base Rates in

14                    March 2003. In that proceeding, Delmarva had requested recovery of certain

15                    expenses associated with remediation of its Manufactured Gas Plant sites. The

16                    parties entered into a Settlement in Docket No. 03-127, which was approved on

17                    December 9, 2003 by Commission Order No. 6327. That Settlement Agreement

18                    contained a provision which allowed Delmarva to file for a separate mechanism to

19                    recover appropriate costs associated with the remediation of the manufactured gas

20                    plants. Section II A 2 of the approved Settlement Agreement provides as follows:

21                    The Parties agree that, should the Commission approve this

22                    Settlement, the Company will file an application for a change in

23                    its tariffs to implement an environmental remediation surcharge,

24                    equivalent to the mechanism that Chesapeake Utilities currently

25                    has in effect. The Company will file this request separately,

26                    including .... (actual incremental "out-of-pocket" expenses as

27                    described in Staff witness Henkes' testimony, Ex. 19 at 63) ....

28

29                    Delmarva filed the Application to establish the Gas Environmental

30                    Surcharge mechanism on February 13, 2004 in Docket No. 04-53. A complete

1 summary of the recovery requests and results from 2003 through 2012 are  
2 contained in schedule ATA-1.

3 8. Q: Please explain the outcome of Delmarva's most recent annual Environmental  
4 Surcharge Filing in Docket No. 11-382.

5 A: In its application, Delmarva filed the annual Gas ESR rate review to  
6 become effective November 1, 2011, coincident with the effective date of  
7 Delmarva's annual GCR filing. Delmarva recommended that the Gas ESR rate  
8 level be decreased. The Commission Staff and Department of Public Advocate  
9 (DPA) reviewed Delmarva's testimony and supporting documentation, performed  
10 their annual audit of related expenses and filed testimony that supported the  
11 decrease to the ESR rate as filed by Delmarva. On November 11, 2011, by Order  
12 No. 8041, the Commission approved decreasing the previous Environmental  
13 Surcharge Rider rate, effective through October 31, 2012.

14 9. Q: Were there any contested issues in PSC Docket No. 11-381?

15 A: No.

16 10. Q: Which sites were involved in environmental remediation in Delaware for  
17 Delmarva's manufactured gas plants?

18 A: Delmarva has two former Manufactured Gas Plant locations in Delaware.  
19 For remediation purposes, Delaware Natural Resources and Environmental  
20 Control (DNREC) divided the first of two locations (the Wilmington plant) into  
21 three sites. The location of the second plant is in New Castle, Delaware; which is  
22 not currently being remediated. The three DNREC designated sites in  
23 Wilmington include: Wilmington Coal Gas Site-North, Wilmington Coal Gas

1 Site – South, and the Public Works Yard. These otherwise contiguous plant sites  
2 were separated by South Madison and Beech Streets, prior to the recent  
3 redevelopment of the area.

4 For the Environmental Cost Year June 1, 2011 to May 31, 2012, expenses  
5 were only incurred on the Wilmington Coal Gas Site South.

6 **11. Q: Please review the level of cost recovery Delmarva is requesting in this filing.**

7 A: Schedule ATA-2 contains a listing of the Environmental Expenses that  
8 were incurred during the Environmental Cost Year (ECY). Per Delmarva's tariff  
9 Leaf No. 80, the ECY is defined as "the time period over which environmental  
10 costs are incurred and any payments from other parties are netted against those  
11 costs. The ECY will include actual data recorded for the year. Recovery of  
12 environmental costs for an ECY will begin with the Recovery year that starts  
13 immediately following the end of the ECY." For the purposes of this Application,  
14 the ECY runs from June 1, 2011 through May 31, 2012. Delmarva incurred costs  
15 of \$112,416.42 during this period. Recovery of the environmental costs for an  
16 ECY will begin with the Recovery year that starts immediately following the end  
17 of the ECY.

18 **12. Q: Were any payments netted against these costs during the ECY?**

19 A: No, Delmarva did not receive any payments from other parties to be netted  
20 against these costs in the ECY.

21 **13. Q: What types of costs make up the expenses listed on Schedule ATA-2?**

22 A: The expenses listed on Schedule ATA-2 are made up of costs that were  
23 billed to Delmarva by AECOM, Inc., the engineering and environmental

1 consulting firm, and VEOLIA Environmental Services Technical Solutions,  
2 retained by Delmarva to assist in the remediation efforts on the manufactured gas  
3 plant sites. The work during the environmental test year included technical  
4 assistance in preparing responses to DNREC's review comments on the Focused  
5 Feasibility Study (FFS), finalization of the FFS, attending meetings with DNREC  
6 and Delmarva, general project management and communications with Delmarva,  
7 and development of a scope of work for the proposed design and final plan or  
8 remedial actions for the Wilmington Coal Gas Site – South (DE-0114).

9 **14. Q: What types of costs are to be recovered under this ESR?**

10 **A:** Per Delmarva's Gas Tariff Leaf No. 79, the costs to be recovered by this  
11 Rider are defined follows:

12 "Applicable environmental costs are those incurred as a result of, but are  
13 not limited to investigating, testing, monitoring, remediation, land  
14 acquisition, legal costs related directly to the site remediation, and disposal  
15 sites. These costs must be actually incurred, incremental "out-of-pocket"  
16 remediation related expenses and must exclude internal costs, such as  
17 internal labor and overhead expenses."  
18

19 All of the costs included in the \$112,416.42 in the ECY in this filing meet  
20 the above criteria.

21 **15. Q: What type of internal review procedures does Delmarva employ with respect**  
22 **to processing environmental invoices and tracking costs?**

23 **A:** All environmental cost invoices submitted to Delmarva are reviewed by  
24 the individual who has responsibility for monitoring the environmental activities  
25 at a particular manufactured gas plant site. The reviewed invoices are then  
26 submitted to an Environmental Manager for approval. Invoices for outside legal

1 services, when incurred, are reviewed and approved by the legal department.

2 Original invoice documents are retained by the approving department.

3 Separate accounting orders have been established to track "out of pocket"  
4 expenses eligible for inclusion in the Gas Environmental Surcharge Rider Rate.  
5 Periodically, both during the ECY and in preparation for the annual filing, a PHI  
6 Service Company Senior Business Analyst extracts computerized accounting  
7 system data which documents charges to the appropriate orders. The charges are  
8 reviewed by the Senior Business Analyst (or the Manager of Utility Operations  
9 Finance in the Senior Business Analyst's absence) and the Manager of Gas  
10 Operations and Planning. If any of the charges, in their judgment, are not properly  
11 includable as "out of pocket" expenditures then a correction process is initiated  
12 through the involved department. The final ECY report is run by the Senior  
13 Business Analyst, reviewed and compiled for approval by the Manager of Gas  
14 Operations and Planning as source information for Schedule ATA-2. Printed  
15 copies of the included invoices are held by the Senior Business Analyst and are  
16 available for review. This year, all invoices and backup materials were  
17 electronically submitted to Commission Staff and DPA for review on July 26,  
18 2012. As of the date of this filing, Delmarva has not received the results  
19 Commission Staff and DPA's annual audit.

20 **16. Q: Please describe in detail your calculations on Schedules ATA-2 and ATA-3.**

21 A: As mentioned earlier, Schedule ATA-2 included Delmarva incurred  
22 expenses of \$112,416.42 during the ECY of June 1, 2011 through May 31, 2012.  
23 Schedule ATA-3 outlines the recovery schedule of the applicable environmental

1 costs, and demonstrates the amortization of the costs over five years while  
2 subtracting out the deferred tax benefit on behalf of the customers. As illustrated  
3 on Schedule ATA-3, amortizing the current costs over five years, offset with the  
4 deferred tax benefit to customers, yields the net recovery amount of \$102,480.60.

5 The surcharge, as approved by the Commission in Docket No. 04-53, was  
6 established to share costs between customers and shareholders. This is  
7 accomplished by amortizing the expenses in the ECY over a five year period with  
8 customers being responsible for the net annual amortized costs and the  
9 shareholders responsible for the carrying costs (interest) on the unamortized cost  
10 balances. Customers also receive the benefits of the deferred taxes associated  
11 with the unamortized remediation cost balances. Interest expense is not included  
12 in the unamortized balances.

13 **17. Q: Please explain how the Environmental Surcharge Rider Rate is calculated.**

14 **A:** There are several time periods and factors used to calculate the  
15 Environmental Surcharge Rider Rate. The definitions of the factors and time  
16 periods are contained on Gas Tariff Leaf Nos. 79 and 80. The ECY was defined  
17 earlier in this testimony. Other definitions include:

18 **Recovery Year**

19 The Recovery Year, as defined in Gas Tariff Leaf No. 80, "is each  
20 November 1 through October 31 and is the time period in which the annually  
21 calculated environmental rider rate will be billed to firm customers." For  
22 purposes of this filing, the Recovery Year will begin November 1, 2012 when  
23 rates are proposed to go into effect, until October 31, 2013.

1       **Reconciliation Factor**

2               The Reconciliation Factor, as defined in Gas Tariff Leaf No. 80, “shall be  
3       equal to the over/under collection of the Environmental Cost Rider (ECR).  
4       Over/under collection is the accumulated experienced net over or under recovery  
5       of the environmental costs during the twelve-month period ending with the month  
6       of June immediately preceding the beginning of the next recovery year.” (Refer to  
7       Schedule ATA-4 for the reconciliation of this year’s activity.)

8       **Amortization Factor**

9               The Amortization Factor, as defined in Gas Tariff Leaf No. 80, “is  
10       recovery of net environmental costs incurred during an ECY will be accomplished  
11       through a five-year amortization, offset by the tax benefit associated with those  
12       environmental costs as defined below. A net annual amortization amount will be  
13       calculated for each of the five years of amortization scheduled for the ECY. The  
14       amortization factor for any year will be comprised of the total net annual amount  
15       scheduled for that year.” (See Schedule ATA-5 for these year-by-year details.)

16              The Environmental Surcharge Rider Rate, as defined in the Gas Tariff  
17       Leaf 80, “as equal to the sum of the amortization and reconciliation factors  
18       divided by projected firm sales over the next recovery period of November 1  
19       through October 31.” The ‘projected firm sales’ are Delmarva’s estimated sales,  
20       by customer classification, for the next recovery year. This estimate is included  
21       in the annual Gas Cost Rate filing each year.

1 **18. Q: Please explain Schedule ATA-4.**

2 A: Schedule ATA-4 calculates the Reconciliation Factor, or the over/under  
3 collection of the Environmental Surcharge Rider Rate, for the period that  
4 preceded the recovery year in this filing. This schedule compares the projected  
5 collections to the amount actually collected from customers for that period. As  
6 illustrated on Schedule ATA-4, the Reconciliation Factor is an under-collection of  
7 \$5,119.77. This Reconciliation Factor accounts for approximately 12.7% of the  
8 proposed net amount to be recovered (as displayed on ATA-5). The under-  
9 collection of \$5,119.77 is due mainly to lower sales resulting from an unusually  
10 mild winter.

11 **19. Q: Why does Schedule ATA-4 Schedule end with the period June 2012?**

12 A: Schedule ATA-4 is updated through the last month where actual collection  
13 information is available, which at the time of this application was prepared on  
14 June 2012. The period of July 2012 forward will be trued-up in Delmarva's next  
15 annual ESR to be filed in August 2013.

16 **20. Q: Please explain Schedule ATA-5.**

17 A: Schedule ATA-5 is a summary of all the ECY schedule recoveries. This  
18 schedule illustrates a proposed total recovery of \$40,444.79 for the Recovery  
19 Year beginning November 1, 2012. This net recovery amount includes an  
20 accumulation of the amortizations approved to this date. This includes: \$3,782.64  
21 for the fifth year amortization factor for the recovery year ending May 2008, plus  
22 \$2,786.13 for the fourth year amortization factor for the recovery year ending  
23 May 2009, plus \$7,962.84 for the third amortization year for the recovery year



1 ending May 2010, plus \$2,284.45 for the second year amortization factor for the  
2 recovery year ending May 2011, plus \$18,508.96 for the latest ECY of June 2011  
3 through May 2012 (calculated on Schedule ATA-3), and includes the \$5,119.77  
4 of under-collection through June 2012 as calculated on Schedule ATA-4.

5 A total of \$111,541.37 in remediation expenses remains uncollected at the  
6 time of this filing. This calculation is reflected on the lower portion of ATA-5.

7 **21. Q: Please explain the actual calculation of the rate on Schedule ATA-6.**

8 A: The total recovery amount of \$40,444.79 as calculated on Schedule  
9 ATA-5 is then grossed up by 0.3% in order to recover the Delaware Public  
10 Service Commission assessment. With this addition, the Total Net Recovery for  
11 the period November 1, 2012 through October 31, 2013 is \$40,566.12. This is the  
12 amount that Delmarva is permitted to collect from Customers. Schedule ATA-6  
13 calculates the new ESR Rate level by dividing the total recovery by the projected  
14 firm sales for the Recovery Year, 19,244,454 mcf, resulting in a rate of \$0.00211  
15 per mcf, or \$0.00021 per ccf. The current rate is \$0.00013 per ccf. An increase of  
16 \$0.0008 per ccf, results in a rate of \$0.00021. The net effect is \$0.01 (1 cent) or  
17 0.01% increase to the winter monthly heating bill amount.

18 **22. Q: How did you develop the firm sales forecast in this filing for the calculation**  
19 **of the ESR?**

20 A: The sales forecast used in the calculation of this rate was developed for  
21 Delmarva's annual Gas Cost Rate (GCR) filing for the period November 1, 2012  
22 through October 31, 2013, proposed to become effective November 1, 2012. The  
23 sales forecast is discussed in the testimony of Delmarva's witness Robert W.  
24 Brielmaier, and is found in the Gas Cost Rate filing titled, Schedule RWB-1 GCR

1 + ESR Sales Forecast 12-13, also included herein with schedules. For the first  
2 time in the history of this filing, there are no Large Volume Service customers  
3 listed in the forecast (Schedule ATA - 6, column E). All Large Volume Service  
4 customers have migrated to either becoming a Transportation Customer only or  
5 no longer are a Delmarva gas customer.

6 **23. Q: Please address any changes in ownership of the sites and update**  
7 **Delmarva's estimate of when it anticipates the remediation of its known sites**  
8 **will be completed?**

9 A: Delmarva's ownership in any of the identified sites has not changed since  
10 the previous annual filing (Docket No.11-382). Delmarva continues to own the  
11 majority of the area designated by DNREC as Wilmington Coal Gas Site - South.  
12 Delmarva expects to incur remediation-related expenses for the Wilmington sites  
13 through calendar year 2013. Delmarva does not control when the remediation  
14 will occur or the level of remediation that must occur in the future. Such  
15 determinations are made by DNREC, and Delmarva is, therefore, not able to  
16 control when remediation can or will be completed.

17 **24. Q: What is Delmarva's current estimate of additional required remediation**  
18 **expenses for the Wilmington Manufactured Gas Plant areas?**

19 A. As of June 30, 2012, Delmarva estimates approximately \$1,855,000 for  
20 future Wilmington manufactured gas plant out-of-pocket remediation costs.  
21 Remedial action is expected to start in late 3rd quarter or early 4<sup>th</sup> quarter 2012  
22 and is expected to be complete by the end of 2012 or early 2013 at which point all  
23 remediation at this site will be completed, except for any required long term  
24 monitoring. Even though remediation is expected to be completed by the end of  
25 2012 or beginning of 2013, the amortization of expenses will be amortized and

1 collected over a five year period. As previously stated, however, these estimates  
2 can change based upon, among other things, action or inaction by DNREC.

3 **25. Q: Please identify the customers who are subject to the Environmental**  
4 **Surcharge Rider Rate.**

5 A: The rider is applicable to all firm delivery service customers, including  
6 classifications: Residential Gas Sales Service "RG", General Gas Sales Service  
7 "GG", Medium Volume Gas Sales Service "MVG", Large Volume Gas Sales  
8 Service "LVG", General Volume Firm Transportation "GVFT", Medium Volume  
9 Firm Transportation "MVFT", and Large Volume Firm Transportation "LVFT",  
10 and Large Volume Gas – Qualified fuel Cell Provider Renewable Capable "LVG-  
11 QFCP-RC".

12 **26. Q: If approved, how would the proposed rates impact customers compared to**  
13 **the ESR currently in effect?**

14 A: During the heating season, a typical residential customer who uses  
15 approximately 120 ccf of natural gas during a winter month will see a \$0.01 (1  
16 cent) or 0.01% increase in their overall bill. Commercial and Industrial customers  
17 will see an increase varying from 0.01% to 0.02% depending on usage.

18 **27. Q: Please explain the Delmarva's expectation of timing of this filing.**

19 A: Delmarva's Gas Tariff Leaf No. 79 states "The Company will file with the  
20 Commission a copy of the environmental surcharge rider computation at least 30  
21 days prior to the proposed effective date of November 1." These tariff leafs were  
22 approved by the Commission in Docket No. 04-53. Therefore, by Delmarva  
23 filing this application on or before August 31, 2012, the requirement to file the  
24 ESR computation at least 30 days prior to the effective date is met. Delmarva

1 proposes that the new rate will go into effect on November 1, 2012, subject to  
2 refund after review by the Commission.

3 **28. Q: Does this conclude your testimony?**

4 **A:** Yes.



Delmarva Power Light Company  
2012 Annual Gas Environmental Surcharge Filing  
PSC Docket No. 12-\_\_\_\_

Summary of Environmental Surcharge Rider To-Date

A	B	C	D	E	F
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Since the Environmental Surcharge Rider was established, the Delaware Public Service Commission has approved (or may approve with this filing) for the recovery by Delmarva Power the following amounts for remediation expenses at the three Wilmington subdivided sites, and the net amounts collected from Customers.

DOCKET NO.:	REMEDIATION EXPENSES:	% OF TOTAL:	CUSTOMERS TO PAY:	CUSTOMER BENEFIT*:	PERIODS ENDING:
04-053	\$ 522,988.00	20%	\$ 475,442.33	\$ 47,545.67	May 31, 2003
04-484	\$ 55,751.00	2%	\$ 50,682.68	\$ 5,068.32	May 31, 2004
05-356	\$ 957,588.96	37%	\$ 870,533.01	\$ 87,055.95	May 31, 2005
06-283	\$ 798,811.76	31%	\$ 726,196.11	\$ 72,615.65	May 31, 2006
07-237	\$ 54,679.30	2%	\$ 49,779.84	\$ 4,899.46	May 31, 2007
08-267	\$ 18,913.20	1%	\$ 17,218.50	\$ 1,694.70	May 31, 2008
09-384	\$ 14,584.07	1%	\$ 13,277.28	\$ 1,306.79	May 31, 2009
10-290	\$ 43,732.82	2%	\$ 39,814.21	\$ 3,918.61	May 31, 2010
11-382	\$ 13,167.99	1%	\$ 12,004.15	\$ 1,163.84	May 31, 2011
12-	\$ 112,416.42	4%	\$ 102,480.62	\$ 9,935.80	May 31, 2012
TOTALS:	\$ 2,592,633.52	100%	\$ 2,357,428.73	\$ 235,204.79	

\* The Customer Benefit figures above reflect the dollar savings Customers received from the deferred taxes associated with the unamortized remediation cost balance, but does not reflect the carrying costs (interest) paid by the Company for the unamortized balances, or uncollected accounts. In addition, internal labor costs and associated benefits to manage the clean-up process and prepare this annual filing are not permitted to be included in this Environmental Surcharge Rider filing.

Delmarva Power Light Company  
2012 Annual Gas Environmental Surcharge Filing  
PSC Docket No. 12-\_\_\_

Schedule ATA-2

Schedule of Environmental Expenses incurred  
during Environmental Cost Year (ECY)  
June 1, 2011 through May 31, 2012

A                      B                      C                      D                      E                      F                      G                      H                      I

Wilmington Coal Gas Site - North (sold)			Wilmington Coal Gas Site - South			Wilmington Public Works Yard		
DATE:	VENDOR / REF.:	AMOUNT:	DATE:	VENDOR / REF.:	AMOUNT:	DATE:	VENDOR / REF.:	AMOUNT:
	none this period	\$ -	09/21/11	AECOM, INC.	\$276.00		none this period	\$ -
			09/26/11	AECOM, INC.	\$376.31			
			09/27/11	AECOM, INC.	\$3,286.50			
			11/17/11	AECOM, INC.	\$2,173.50			
			12/06/11	AECOM, INC.	\$6,371.19			
			12/29/11	VEOLIA	\$314.70			
			01/19/12	VEOLIA	\$3,484.81			
			01/20/12	AECOM, INC.	\$1,446.50			
			02/14/12	AECOM, INC.	\$15,930.79			
			03/20/12	AECOM, INC.	\$27,505.56			
			05/08/12	AECOM, INC.	\$9,378.54			
			05/08/12	AECOM, INC.	28,980.27			
			05/16/12	AECOM, INC.	12,891.75			
	Total North Site:	\$ -		Total South Site:	\$112,416.42		Total PWY Site:	\$ -
							TOTAL ALL SITES:	\$ 112,416.42

1  
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**Cost Recovery Schedule for  
Environmental Cost Year  
June 1, 2011 through May 31, 2012**

	A	B	C	D	E	F	G	H
	Year	Amortization	Unamortized balance	Income Taxes	Deferred Tax Account	Deferred Tax Benefit	Amount To be Recovered	To be recovered during Recovery Year Beginning
1								
2								
3								
4								
5	1	\$ 22,483.28	\$ 89,933.12	\$ 9,140.58	\$ 36,562.32	\$ 3,974.32	\$ 18,508.96	3/ Nov-12
6	2	\$ 22,483.28	\$ 67,449.84	\$ 9,140.58	\$ 27,421.74	\$ 2,980.74	\$ 19,502.54	Nov-13
7	3	\$ 22,483.28	\$ 44,966.56	\$ 9,140.58	\$ 18,281.16	\$ 1,987.16	\$ 20,496.12	Nov-14
8	4	\$ 22,483.28	\$ 22,483.26	\$ 9,140.58	\$ 9,140.58	\$ 993.58	\$ 21,489.70	Nov-15
9	5	\$ 22,483.28	\$ -	\$ 9,140.58	\$ -	\$ -	\$ 22,483.28	Nov-16
10								
11	Total	\$ 112,416.40	\$ 45,702.90	\$ 9,935.80	\$ 102,480.60			

- 1/ Costs as shown on Schedule ATA-2
- 2/ Cost of Capital calculated from the Settlement Agreement in Docket No. 10-237
- 3/ Amount to be recovered this year in addition to the four prior years previously approved. (Reference Schedule ATA-5)



**Delmarva Power Light Company**  
**2012 Annual Gas Environmental Surcharge Filing**  
**PSC Docket No. 12-\_\_\_**

Schedule ATA-4

**Schedule of Over/Under Collection**

A	B	C	D	E	F	G	H
Year	Month	Total Firm Estimated Throughput (mcf) 1/	ESR Rates	Rate Charged Net of PSC Assessment (mcf) 3/	Amount To be Recovered Net of PSC Assessment	Actual Recovery Net of PSC Assessment	(Over)/Under Recovery Net of PSC Assessment
1	2011	1/	\$ 0.01001	\$ 0.00998	\$ 6,477.51	\$ 4,368.29	\$ 2,109.22
2	2011	1/	\$ 0.01001	\$ 0.00998	\$ 6,086.65	\$ 6,087.73	\$ (1.08)
3	2011	1/	\$ 0.01001	\$ 0.00998	\$ 6,584.29	\$ 6,781.40	\$ (197.11)
4	2011	1/	\$ 0.01001	\$ 0.00998	\$ 9,471.82	\$ 7,674.68	\$ 1,797.14
5	2011	2/	\$ 0.00128	\$ 0.00128	\$ 1,898.75	\$ 4,937.20	\$ (3,038.45)
6	2011	2/	\$ 0.00128	\$ 0.00128	\$ 3,163.28	\$ 2,314.10	\$ 849.18
7	2012	2/	\$ 0.00128	\$ 0.00128	\$ 4,158.80	\$ 3,470.55	\$ 688.25
8	2012	2/	\$ 0.00128	\$ 0.00128	\$ 3,867.83	\$ 3,100.14	\$ 767.69
9	2012	2/	\$ 0.00128	\$ 0.00128	\$ 3,384.24	\$ 2,529.55	\$ 854.69
10	2012	2/	\$ 0.00128	\$ 0.00128	\$ 2,097.32	\$ 1,597.84	\$ 499.48
11	2012	2/	\$ 0.00128	\$ 0.00128	\$ 1,522.19	\$ 1,118.68	\$ 403.51
12	2012	2/	\$ 0.00128	\$ 0.00128	\$ 1,054.73	\$ 667.48	\$ 387.25
13	Total	19,438,686			\$ 49,767.41	\$ 44,647.64	\$ 5,119.77

- 1/ Estimated throughput as shown in the Company's filing approved October 19, 2010 by Commission order No. 7858 in Docket No10-290  
2/ Estimated throughput as shown in the Company's filing approved November 11, 2011 by Commission order No. 8041 in Docket No 11-382  
3/ Rate charge is net of PSC Assessment (\$0.01001\*.997 for July 2011 to October 2011 and \$0.00128\*.997 for November 2011 to June 2012)

Delmarva Power Light Company  
2012 Annual Gas Environmental Surcharge Filing  
PSC Docket No. 12-\_\_\_\_\_

Schedule ATA-5

Schedule of Summary of Environmental Cost Year Recoveries

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
Recovery Year Beginning	Environmental Cost Year Ending May-03 1/	Environmental Cost Year Ending May-04 2/	Environmental Cost Year Ending May-05 3/	Environmental Cost Year Ending May-06 4/	Environmental Cost Year Ending May-07 5/	Environmental Cost Year Ending May-08 6/	Environmental Cost Year Ending May-09 7/	Environmental Cost Year Ending May-10 8/	Environmental Cost Year Ending May-11 9/	Environmental Cost Year Ending May-12 10/	Subtotal To Be Recovered Nov '12 - Oct '13 Recovery Year	(Over)/Under Recovery 11/	Total To Be Recovered Nov '12 - Oct '13 Recovery Year	(Over)/Under Recovery as % of Total:
Nov-03	\$ 85,579.33													
Nov-04	\$ 90,333.90	\$ 9,122.85	\$ 156,695.41											
Nov-05	\$ 95,088.47	\$ 9,629.69	\$ 165,401.01	\$ 130,716.09	\$ 8,976.08	\$ 3,104.76	\$ 2,394.10	\$ 7,179.13	\$ 2,168.06					
Nov-06	\$ 99,843.03	\$ 10,138.54	\$ 174,106.60	\$ 137,977.66	\$ 9,486.02	\$ 3,274.23	\$ 2,524.77	\$ 7,570.98	\$ 2,284.45					
Nov-07	\$ 104,597.60	\$ 10,643.38	\$ 182,812.20	\$ 145,239.22	\$ 9,955.97	\$ 3,443.70	\$ 2,655.45	\$ 7,962.84	\$ 2,400.83					
Nov-08	\$ -	\$ 11,150.22	\$ 191,517.79	\$ 152,500.79	\$ 10,445.91	\$ 3,613.17	\$ 2,786.13	\$ 8,354.70	\$ 2,517.22					
Nov-09	\$ -	\$ -	\$ -	\$ 159,762.35	\$ 10,935.86	\$ 3,782.84	\$ 2,916.83	\$ 8,746.56	\$ 2,633.59					
Nov-10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -					
Nov-11	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -					
Nov-12	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -					
Nov-13	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -					
Nov-14	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -					
Nov-15	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -					
Nov-16	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -					
Total	\$ 475,442.33	\$ 50,682.68	\$ 870,533.01	\$ 726,196.11	\$ 49,779.84	\$ 17,218.50	\$ 13,277.28	\$ 39,814.21	\$ 12,004.15	\$ 102,480.60	\$ 35,325.02	\$ 5,119.77	\$ 40,444.79	12.7%

- 1/ Environmental Cost Year Recovery as shown in the Company's filing approved April 20, 2004 by Commission Order No. 6401 in Docket No. 04-53  
2/ Environmental Cost Year Recovery as shown in the Company's filing approved May 24, 2005 by Commission Order No. 6626 in Docket No. 04-384  
3/ Environmental Cost Year Recovery as shown in the Company's filing approved April 25, 2006 by Commission Order No. 6889 in Docket No. 05-356  
4/ Environmental Cost Year Recovery as shown in the Company's filing approved Mar. 20, 2007 by Commission Order No. 7145 in Docket No. 06-283  
5/ Environmental Cost Year Recovery as shown in the Company's filing approved June 17, 2008 by Commission Order No. 7407 in Docket No. 07-237  
6/ Environmental Cost Year Recovery as shown in the Company's filing approved May 19, 2009 by Commission Order No. 7565 in Docket No. 08-267  
7/ Environmental Cost Year Recovery as shown in the Company's filing approved December 22, 2009 by Commission Order No. 7858 in Docket No. 09-384  
8/ Environmental Cost Year Recovery as shown in the Company's filing approved October, 19, 2010 by Commission Order No. 7716 in Docket No. 10-290  
9/ Environmental Cost Year Recovery as shown in the Company's filing approved November 11, 2011 by Commission Order No. 8041 in Docket No. 11-382  
10/ Reference Schedule ATA-3  
11/ Reference Schedule ATA-4

Balances to be collected in future periods above:	
Actual:	
Nov-13	\$ 33,174.90
Nov-14	\$ 31,759.90
Nov-15	\$ 24,123.29
Nov-16	\$ 22,483.28
Total:	\$ 111,541.37

Delmarva Power Light Company  
2012 Annual Gas Environmental Surcharge Filing  
PSC Docket No. 12-\_\_\_

Schedule ATA-6

Environmental Surcharge Rider Rate Calculation

A	B	C	D	E	F	G	H	I	J	K
Projected Sales in mcf										
Month	Residential Service	General Service	Medium Volume Service	Large Volume Service	Total Firm Sales	Firm Transportation	Total Firm Throughput	Recovery at \$ 0.00211	Recovery Net of PSC Assessment	PSC Assessment
Nov-12	1/ 574,032	383,463	33,193	-	990,688	562,827	1,553,515	\$ 3,274.71	\$ 3,264.92	\$ 9.79
Dec-12	1/ 1,084,787	600,866	42,763	-	1,728,415	561,762	2,290,176	\$ 4,827.55	\$ 4,813.11	\$ 14.44
Jan-13	1/ 1,597,216	764,156	46,679	-	2,408,052	753,629	3,161,681	\$ 6,664.63	\$ 6,644.69	\$ 19.93
Feb-13	1/ 1,602,453	778,785	46,802	-	2,428,040	690,302	3,118,342	\$ 6,573.27	\$ 6,553.61	\$ 19.66
Mar-13	1/ 1,341,550	654,625	42,551	-	2,038,725	613,536	2,652,261	\$ 5,590.80	\$ 5,574.08	\$ 16.72
Apr-13	1/ 877,395	430,187	14,706	-	1,322,288	522,755	1,845,043	\$ 3,889.24	\$ 3,877.60	\$ 11.63
May-13	1/ 396,042	233,773	27,277	-	657,093	459,163	1,116,256	\$ 2,353.00	\$ 2,345.96	\$ 7.04
Jun-13	1/ 170,382	136,813	11,247	-	318,442	419,293	737,735	\$ 1,555.10	\$ 1,550.45	\$ 4.65
Jul-13	1/ 106,473	104,452	7,770	-	218,695	423,310	642,005	\$ 1,353.31	\$ 1,349.26	\$ 4.05
Aug-13	1/ 71,204	97,446	19,467	-	188,118	431,243	619,362	\$ 1,305.58	\$ 1,301.67	\$ 3.91
Sep-13	1/ 75,534	109,178	19,808	-	204,520	457,520	662,040	\$ 1,395.54	\$ 1,391.36	\$ 4.17
Oct-13	1/ 163,784	180,405	8,594	-	352,782	493,255	846,038	\$ 1,783.40	\$ 1,778.06	\$ 5.33
<b>Totals</b>	<b>8,060,852</b>	<b>4,474,149</b>	<b>320,857</b>	<b>-</b>	<b>12,855,859</b>	<b>6,388,595</b>	<b>19,244,454</b>	<b>\$ 40,566.12</b>	<b>\$ 40,444.79</b>	<b>\$ 121.33</b>

123,450 Customers as of July 2012	
65 Average annual usage (MCF)	
\$ 0.08 Average annual ESR cost (current rate of \$0.00128)	

Rate Calculation:

14	Subtotal to be Recovered (Nov. 1, 2012 to Oct. 31, 2013 - Sched. ATA-6)	\$ 40,444.79
15	PSC Assessment added at:	0.30%
16	<b>Total Recovery including PSC Assessment</b>	<b>\$ 40,566.12</b>
17	Firm Throughput (mcf)	19,244,454
18	Proposed Rate per mcf	\$ 0.00211
19	Proposed Rate per ccf	\$ 0.00021
20	Rate Currently in Effect per ccf	\$ 0.00013
21	Typical monthly heating bill impact on 120 ccf residential customer	\$ 0.01 (Refer to Schedule ATA-7 for volume-specific billing comparisons.)

1/ Sales are forecasted sales per the Company's GCR Filing submitted the August 31, 2012 from schedule RWB-1, net of Gas Lighting sales of 198 mcf.

# Delmarva Power Light Company

## 2012 - 2013 GCR Period Gas Sales Budget

Schedule RWB-1

### Firm Bundled Sales

	RES	RSH	GL	GG	MVG	LVG	Total
Aug-12	7,862	63,701	17	138,517	5,748	-	215,844
Sep-12	14,012	61,587	17	150,085	6,558	-	232,258
Oct-12	12,192	149,750	17	220,999	10,222	-	393,179
Total	34,066	275,038	50	509,601	22,528	-	841,282

Nov-12	21,791	552,241	17	383,463	33,193	-	990,705
Dec-12	31,076	1,053,711	17	600,866	42,763	-	1,728,431
Jan-13	36,296	1,560,920	17	764,156	46,679	-	2,408,068
Feb-13	33,637	1,568,816	17	778,785	46,802	-	2,428,057
Mar-13	32,410	1,309,140	17	654,625	42,551	-	2,038,742
Apr-13	24,736	852,659	17	430,187	14,706	-	1,322,305
May-13	18,958	377,085	17	233,773	27,277	-	657,110
Jun-13	13,023	157,359	17	136,813	11,247	-	318,458
Jul-13	12,354	94,119	17	104,452	7,770	-	218,711
Aug-13	7,494	63,710	17	97,446	19,467	-	188,135
Sep-13	13,624	61,910	17	109,178	19,808	-	204,537
Oct-13	11,768	152,016	17	180,405	8,594	-	352,799
Total	257,167	7,803,685	198	4,474,149	320,857	-	12,856,057

Comparison to August 2011 GCR & ESR forecast for 11-12 GCR period:

Total	236,614	7,831,476	198	4,442,639	346,331	89,130	12,946,388
Change	20,553	(27,791)	-	31,510	(25,474)	(89,130)	(90,331)
%Change	8.7%	-0.4%	0.0%	0.7%	-7.4%	-100.0%	-0.7%

# Delmarva Power Light Company

## 2012 - 2013 GCR Period Gas Sales Budget

	Firm Transportation			Firm Throughput
	GVFT	MVFT	LVFT	
Aug-12	17,760	64,830	373,360	671,778
Sep-12	20,284	69,808	389,236	711,569
Oct-12	34,846	88,659	392,436	909,120
Total	72,890	223,297	1,155,032	2,292,467
Nov-12	64,517	113,237	385,073	1,553,532
Dec-12	75,535	117,795	368,431	2,290,193
Jan-13	113,980	156,958	482,691	3,161,697
Feb-13	97,444	136,390	456,468	3,118,358
Mar-13	69,799	111,101	432,637	2,652,278
Apr-13	56,776	98,241	367,738	1,845,060
May-13	37,598	78,374	343,190	1,116,272
Jun-13	24,134	71,492	323,667	737,751
Jul-13	21,436	65,020	336,854	642,021
Aug-13	21,544	68,072	341,628	619,378
Sep-13	25,923	73,298	358,298	662,056
Oct-13	42,618	93,092	357,545	846,054
Total	651,305	1,183,071	4,554,220	19,244,652

Comparator Comparison to August 2011 GCR & ESR forecast for 11-12 GCR period:

Total	563,315	1,108,936	4,968,675	6,640,926	19,587,314
Change	87,990	74,135	(414,455)	(252,331)	(342,662)
%Change	15.6%	6.7%	-8.3%	-3.8%	-1.7%

# **Delmarva Power Light Company** **2012 - 2013 GCR Period Gas Sales Budget**

Schedule RWB-1

		Interruptible Transportation				Total Transportation	Total Delivery Sales
		MVIT	LVIT	Total IT	FPS	Total IT+ FPS	
Aug-12		21,368	44,403	65,771	-	65,771	737,549
Sep-12		17,669	48,467	66,136	-	66,136	777,705
Oct-12		22,147	44,210	66,357	-	66,357	975,477
Total		61,184	137,080	198,264	-	198,264	2,490,731
Nov-12		18,954	57,420	76,374	-	76,374	1,629,906
Dec-12		17,763	52,283	70,046	-	70,046	2,360,238
Jan-13		23,273	62,280	85,553	-	85,553	3,247,250
Feb-13		17,865	59,176	77,041	-	77,041	3,195,399
Mar-13		18,958	37,577	56,535	-	56,535	2,708,813
Apr-13		19,489	45,534	65,023	-	65,023	1,910,083
May-13		20,828	37,824	58,652	-	58,652	1,174,924
Jun-13		20,849	30,952	51,801	-	51,801	789,552
Jul-13		18,818	40,799	59,617	-	59,617	701,638
Aug-13		22,436	46,623	69,060	-	69,060	688,438
Sep-13		18,552	50,890	69,443	-	69,443	731,499
Oct-13		23,254	46,421	69,675	-	69,675	915,729
Total		241,039	567,779	808,818	-	808,818	20,053,470

Comparator Comparison to August 2011 GCR & ESR forecast for 11-12 GCR period:

Total	226,072	672,358	898,430	-	898,430	20,485,744
Change	14,967	(104,579)	(89,612)	(89,612)	(89,612)	(432,274)
%Change	6.6%	-15.6%	-10.0%	-10.0%	-10.0%	-2.1%